

**COMMUNITY PARTNERSHIP OF
SOUTHERN ARIZONA, INC.**

YEAR ENDED JUNE 30, 2005

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

YEAR ENDED JUNE 30, 2005

CONTENTS

	Page
Independent auditors' report	1
Consolidated financial statements:	
Consolidated balance sheet	2
Consolidated statement of activities	3
Consolidated statement of cash flows	4
Notes to consolidated financial statements	5-14
Accompanying information to consolidated financial statements:	
Independent auditors' report	15
Consolidated statement of activities by line of business - GSA 3 & GSA 5	16-17
Consolidated statement of activities by line of business - GSA 3	18-19
Consolidated statement of activities by line of business - GSA 5	20-21

Independent Auditors' Report

Board of Directors
Community Partnership of Southern Arizona, Inc.
Tucson, Arizona

We have audited the accompanying consolidated balance sheet of Community Partnership of Southern Arizona, Inc. (CPSA) as of June 30, 2005, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Partnership of Southern Arizona, Inc. as of June 30, 2005, and the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report, dated August 10, 2005, on our consideration of CPSA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Beach, Fleischman & Co., P.C.

August 10, 2005

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

CONSOLIDATED BALANCE SHEET

JUNE 30, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$ 21,099,022
Investments	10,053,501
Due from the Arizona Department of Health Services	267,696
Advances and other receivables	1,259,179
Prepaid expenses and other	<u>1,057,492</u>
Total current assets	<u>33,736,890</u>

Property and equipment, net	<u>10,077,104</u>
-----------------------------	-------------------

Other assets:

Bond issuance costs, net	65,491
Performance bond investments	1,260,314
Deposits	<u>35,516</u>
	<u>1,361,321</u>
	<u>\$ 45,175,315</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Current portion of long-term debt	\$ 263,334
Accounts payable	2,028,552
Claims and behavioral healthcare services payable	855,795
Recoupment liabilities due to the Arizona Department of Health Services	3,439,810
Accrued liabilities	963,121
Deferred revenue	<u>613,029</u>
Total current liabilities	<u>8,163,641</u>

Other liabilities:

Long-term debt, net of current portion	4,269,998
Liability under interest rate swap agreement	<u>17,020</u>
	<u>4,287,018</u>
	<u>12,450,659</u>

Commitments and contingencies

Unrestricted net assets	<u>32,724,656</u>
	<u>\$ 45,175,315</u>

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

Revenues:	
Net capitation premiums	\$ 154,834,330
Client service	48,928,444
Interest and other income	<u>2,208,897</u>
	<u>205,971,671</u>
Expenses:	
Behavioral healthcare services	149,035,656
Drugs and medical supplies	30,338,796
Grants and other	4,320,009
Administrative and operating:	
Salaries and benefits	7,376,830
Professional and outside services	1,789,728
Occupancy	2,725,695
Depreciation and amortization	1,157,856
Supplies and other	<u>2,285,767</u>
	<u>199,030,337</u>
Increase in net assets	6,941,334
Unrestricted net assets, beginning	<u>25,783,322</u>
Unrestricted net assets, ending	<u>\$ 32,724,656</u>

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2005

Cash flows from operating activities:	
Increase in unrestricted net assets	\$ 6,941,334
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Loss on disposal of assets	463,156
Depreciation and amortization	1,355,801
Amortization of bond issuance costs	5,006
Noncash gain on interest rate swap agreement	(21,031)
Changes in operating assets and liabilities:	
Due from the Arizona Department of Health Services	9,212,050
Advances and other receivables	(535,181)
Prepaid expenses and other	(621,699)
Deposits	(35,516)
Accounts payable and accrued liabilities	(78,477)
Claims and behavioral healthcare services payable	(2,116,191)
Recoupment liabilities due to the Arizona Department of Health Services	1,476,530
Deferred revenue	29,040
Total adjustments	9,133,488
Net cash provided by operating activities	16,074,822
Cash flows from investing activities:	
Proceeds from disposal of assets	1,930
Purchases of property and equipment	(1,861,245)
Purchases of investments	(10,053,501)
Proceeds from sales and maturities of investments	3,680,625
Purchases of performance bond investments	(1,260,314)
Proceeds from sale of performance bond investments	2,855,874
Net cash used in investing activities	(6,636,631)
Cash flows from financing activities:	
Principal payments on long-term debt	(258,336)
Net cash used in financing activities	(258,336)
Net increase in cash and cash equivalents	9,179,855
Cash and cash equivalents, beginning	11,919,167
Cash and cash equivalents, ending	\$ 21,099,022

See notes to consolidated financial statements.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies:

Description of organization:

Community Partnership of Southern Arizona, Inc. (CPSA or the Organization) located in Tucson, Arizona, is an Arizona not-for-profit corporation. Incorporated in February 1995, CPSA was initially formed by three corporations that collectively contributed \$1.5 million in order to provide CPSA with initial capitalization. One of the three contributors subsequently transferred its interest in CPSA to two healthcare systems. Accordingly, there are four corporate members (members) who each have representation on the Board of Directors of CPSA.

Community Behavioral Health Properties of Southern Arizona, LLC (CBHP), a wholly owned subsidiary of CPSA, was organized in July 2002 for the purpose of acquiring and holding real estate and related debt.

Through a contract with the Arizona Department of Health Services (ADHS), which expired June 2005, and subsequently renewed through June 30, 2008, CPSA has been designated as the Regional Behavioral Health Authority (RBHA) for the geographic service area of Pima County (GSA 5) and the four southeastern Arizona counties of Cochise, Graham, Greenlee and Santa Cruz (GSA 3). CPSA is responsible for managing and maintaining an organized, comprehensive behavioral healthcare delivery system for the benefit of eligible members within its geographic service area. Substantially all of CPSA's revenues and cash flows are from its contract with ADHS.

CPSA functions as a behavioral health management organization and, except for member services functions and limited utilization management functions, does not provide direct healthcare services to eligible members. Direct behavioral healthcare services are provided to eligible members by a network of subcontracted service providers.

Principles of consolidation:

The consolidated financial statements include the accounts of CPSA and its wholly owned subsidiary, CBHP. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of presentation:

The accompanying financial statements have been prepared in accordance with the standards of accounting and financial reporting under the AICPA Audit and Accounting Guide, *Health Care Organizations* and the Accounting and Auditing Procedures Manual for ADHS Funded Programs.

Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies (continued):

Estimates (continued):

CPSA considers the estimate of its claims and behavioral healthcare services payable to be a critical accounting policy requiring extensive subjective judgments. CPSA bases its estimate on historical experience and other assumptions believed to be reasonable under the circumstances. Actual results could differ from its estimate under different assumptions or conditions.

Revenue recognition:

Capitation premium revenue:

CPSA's contract with ADHS requires CPSA to provide behavioral healthcare services to all eligible Medicaid (Title XIX), KidsCare (Title XXI) and HIFA (Title XXI) enrollees within its geographic service area. Under this agreement, CPSA receives monthly payments from ADHS based on a capitated rate and the number of Medicaid, KidsCare and HIFA enrollees eligible for covered services during that month, regardless of services actually performed by CPSA and its subcontracted network of providers. Payments received under capitation are subject to risk and CPSA assumes the risk for claims in excess of these payments. Capitation premiums are recognized as earned or over the period that beneficiaries/enrollees are entitled to services in accordance with CPSA policy.

KidsCare and HIFA premium revenue:

These ADHS contract revenues are included in capitation premium revenue and are accounted for as described above. Revenue for Title XXI exceeded the contractual profit maximum for the year ended June 30, 2005 by \$442,667. These amounts are included in recoupment liabilities due ADHS in the accompanying consolidated balance sheet.

Client service revenue:

CPSA's contract with ADHS provides that Non-Title XIX Federal and State subvention payments are made in twelve equal payments. In accordance with CPSA policy, CPSA is to recognize these funds as revenue on a monthly basis based on the ADHS allocation schedule, except for unexpended Federal Block Grant funds which must be deferred at June 30. ADHS policies also require CPSA to return any unexpended Federal Block Grant funds if they remain unexpended for one year beyond when ADHS has granted them.

The Subvention programs provide behavioral healthcare services to lower income, uninsured or underinsured individuals not eligible for behavioral healthcare coverage under Medicaid or KidsCare. The Subvention programs are funded through a combination of federal mental health block grant funds, State of Arizona Tobacco Tax funds, Pima County funds and State of Arizona appropriated funds administered by ADHS.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies (continued):

Revenue recognition (continued):

Client service revenue (continued):

CPSA has programs for which deferred revenue is recorded at June 30, 2005. The primary programs are funded through House Bill 2003, Department of Corrections and Substance Abuse Federal Block Grants. CPSA deferred \$613,029 at June 30, 2005.

Healthcare service cost recognition:

CPSA contracts with various Network Providers, including the members, for the provision of a full range of behavioral healthcare services to eligible Title XIX and Title XXI children and adults and Non-Title XIX children and adults with serious mental illnesses. These providers are compensated through prospective one twelfth monthly payments for eligible clients in these categories. Under this arrangement, providers are at risk for providing healthcare services to eligible enrollees as specified in the agreements, including costs that exceed their annual service payment. These services accounted for 78% of CPSA's behavioral healthcare service expenses in 2005.

The cost of all other behavioral healthcare services is on a fee-for-service, cost-reimbursement or block-purchase basis subject to contract ceilings for certain programs. These costs are accrued in the period in which the service is provided to eligible recipients based in part on estimates, including an accrual for behavioral healthcare services incurred but not yet reported to CPSA.

Cash and cash equivalents:

CPSA considers all highly liquid debt instruments with an original purchased maturity of three months or less to be cash equivalents. CPSA routinely invests its surplus operating funds in overnight repurchase arrangements with a financial institution and in highly liquid U.S. government securities. Cash equivalents are reported at their estimated fair value.

CPSA places its cash and cash equivalents with high quality credit institutions. At times, such investments may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Receivables:

Receivables primarily consist of amounts billed and currently due from governmental agencies. Contractually, CPSA grants unsecured trade credit without interest to ADHS and others. The Organization has not experienced any significant past due accounts. Based on historical collections, accounts receivable are considered fully collectible by management, therefore, no allowance for doubtful accounts has been provided.

Investments:

CPSA carries investments in marketable securities with readily determinable fair values and all debt securities at fair value in the balance sheet. Unrealized gains and losses are included in the change in net assets.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies (continued):

Property, equipment, depreciation and amortization:

Property and equipment are recorded at cost. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets. Expenditures for major improvements to property are capitalized and expenditures for repairs and maintenance are expensed as incurred.

Allocation of common expenses:

Certain direct, indirect and administrative expenses are incurred which benefit more than one program. Such common expenses are allocated based upon a cost allocation plan, which is primarily based upon enrollment, claims and costs by lines of business.

Income taxes:

CPSA is a Section 501(c)(3) organization exempt from taxation under Internal Revenue Code Section 501(a). CBHP is a single-member LLC, which is a disregarded entity for income tax purposes. Accordingly, no provision is required in the financial statements for federal and state income taxes.

2. Investments:

Federal Home Loan Bank Discount Note	<u>\$10,053,501</u>
--------------------------------------	---------------------

3. Advances and other receivables:

Grants receivable	\$ 77,340
Provider receivables	727,677
Housing:	
Billed	82,671
Unbilled	134,149
Interest receivable	106,976
Other receivables	70,925
Rent	59,441
	<u>\$ 1,259,179</u>

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

4. Property and equipment:

Land	\$ 863,112
Building	7,569,623
Furniture and equipment	5,861,635
Leasehold improvements	<u>9,216</u>
	14,303,586
Less accumulated depreciation and amortization	<u>4,226,482</u>
	<u>\$ 10,077,104</u>

5. Performance bond:

CPSA's contract with ADHS requires the securement of a performance bond to fund any potential losses incurred equal to amounts based on gross capitation payments, as specified in the contract. As of June 30, 2005, CPSA had surety bonds of approximately \$18,907,000 to comply with ADHS contract requirements through June 30, 2006. CPSA has investments deposited at Wachovia Bank in the amount of \$1,260,314 to supplement the ADHS minimum requirements.

6. Claims and behavioral healthcare services payable:

Claims incurred but not reported	\$ 489,196
Client service fees payable to providers	<u>366,599</u>
	<u>\$ 855,795</u>

7. Other liabilities:

ADHS encounter policy requirements:

ADHS issued a policy that requires CPSA to report minimum percentages of encounters to non-administrative ADHS payments, reaching 85% at June 30. ADHS evaluates on a quarterly, year-to-date basis by Title XIX, Title XXI and Non-Title XIX programs, the percentage of encounter data to ADHS payments. In the event CPSA does not reach the required threshold, ADHS may withhold from future payments an amount equal to the lesser of 2% of non-administrative payments made in the period being evaluated or the actual deficiency. ADHS will refund amounts previously withheld upon CPSA attaining the required encounter percentage within eight months after June 30.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

7. Other liabilities (continued):

ADHS encounter policy requirements (continued):

In March 2005, CPSA accrued a withhold liability of \$2,997,143 for encounter reporting deficiencies related to 2004 based on an assessment by ADHS, which is included in recoupment liabilities to ADHS in the accompanying consolidated balance sheet. ADHS will not complete its analysis for 2005 encounter reporting until Spring 2006. Since CPSA management cannot reasonably estimate the 2005 withhold, if any, CPSA's policy is to accrue a liability when a determination is made by ADHS. As a result, CPSA has not accrued any withhold liability for the year ended June 30, 2005.

8. Long-term debt:

The Arizona Health Facilities Authority sold 2002 Series bonds on behalf of CBHP for \$5,075,000 in August 2002. Monthly interest payments are made based on weekly variable rates determined by Bond Market Association (BMA) Municipal bond index. The bond is secured by a letter of credit amounting to \$4,620,000 along with a pledge agreement and deed of trust on real property. At June 30, 2005, \$4,533,332 was outstanding on the bond payable.

CBHP is required to make monthly payments into a sinking fund account in order to make annual principal payments. The next scheduled principal payments will be paid out of the sinking fund account. The sinking fund account held a balance of \$86,668 at June 30, 2005. This amount has been offset to the related debt as of June 30, 2005. The total amounts required to be deposited into the sinking fund account are as follows:

Year ending June 30,	
2006	\$ 263,334
2007	279,163
2008	293,337
2009	300,000
2010	311,668
Thereafter	<u>3,085,830</u>
	<u>\$ 4,533,332</u>

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

9. Interest rate swap agreement:

The Series 2002 bonds payable bear interest at BMA, which was 2.28% at June 30, 2005. However, CBHP entered into a separate interest rate swap agreement with Wells Fargo that effectively converts the interest rate on the note to 3.1%. Under the swap agreement, the CBHP pays interest at the fixed rate and receives interest at BMA. The notional amount under the swap decreases as principal payments are made on the bonds so that the notional amount equals the principal outstanding under the bond. The swap is designed to hedge the risk of changes in interest payments on the note caused by changes in BMA.

The swap was issued at market terms so that they had no fair value at inception. As required by generally accepted accounting principles, the carrying amount of the swap has been adjusted to fair value at June 30, 2005, which because of changes forecasted in levels of BMA, resulted in reporting a reduction of the liability for the fair value of the future net payments forecasted under the swap. The change in fair value is recorded as an increase in the change in net assets for 2005 and the liability is classified as noncurrent since management does not intend to settle the swap before June 30, 2006.

10. Related party transactions and concentrations:

CPSA has contracted with SouthEastern Behavioral Health Services, Inc. (SEABHS), a member, to be the designated Network Provider of behavioral healthcare services in GSA 3. This agreement expires annually in June and has been renewed through June 2006. Total expense for behavioral healthcare services provided by SEABHS aggregated approximately \$24.6 million in 2005. Amounts payable to SEABHS at June 30, 2005, aggregated approximately \$176,000 and are included in claims and behavioral healthcare services payable. SEABHS accounted for 13% of behavioral healthcare services expenses in 2005.

CPSA has contracted with five Network Providers in Pima County to provide behavioral healthcare services. Three of these providers are related parties through affiliation with Behavioral Health Coalition of Southern Arizona (BHC), a member.

CPSA has contracted with 13 providers who are members of BHC to provide behavioral healthcare services in Pima County. Agreements with these providers typically expire annually in June and have been renewed at CPSA's option through June 2006. Amounts payable to these providers aggregated approximately \$160,000 as of June 30, 2005 and are included in claims and behavioral healthcare services payable. BHC accounted for 44% of behavioral healthcare services expenses in 2005, of which three of these providers accounted for 38% of behavioral healthcare services expenses in 2005.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

11. Retirement benefits:

401(k) defined contribution savings plan:

CPSA has a 401(k) defined contribution employee savings plan for its eligible employees. Eligible employees may make contributions to the 401(k) Plan not to exceed specified annual ceiling amounts. CPSA may make discretionary contributions to be allocated ratably among participating employees. Participants vest 100% immediately in employee contributions and ratably over a period of three years in discretionary CPSA contributions. CPSA's contribution to the Plan was approximately \$372,000 for 2005.

SERP:

CPSA has a supplemental executive retirement plan (SERP) set up for its chief executive officer. Contribution's to the Plan are made at the discretion of the Board of Directors and was \$40,000 for 2005.

12. Commitments and contingencies:

Operating leases:

CPSA and CBHP lease various equipment, furniture and office space under operating lease agreements expiring at various dates through May 2010, all of which have early termination clauses. Certain of these costs are for furniture for tenants in Plaza Arboleda, which are passed through to tenants and are consequently reimbursed.

Future minimum lease payments are as follows:

Year ending June 30,	
2006	\$ 1,307,261
2007	293,168
2008	253,440
2009	263,580
2010	<u>274,128</u>
	<u>\$ 2,391,577</u>

Total rent expense was \$1,442,200 in 2005.

Litigation:

CPSA is party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of the pending or threatened lawsuits will not have a material adverse effect on CPSA's financial statements.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

12. Commitments and contingencies (continued):

Contract compliance:

Capital risk requirements:

Pursuant to its contract with ADHS, CPSA must annually maintain a minimum capitalization requirement of net assets greater than or equal to 90% of the monthly capitation and Non-Title XIX/XXI payments received under the contract, excluding the performance bond investments.

Viability ratios:

CPSA's contract with ADHS contains various quarterly financial performance requirements including required minimum liquidity ratio, administrative cost percentages and service expense percentages. CPSA was not in compliance with certain administrative expense percentages and certain service expense percentages. The CPSA Board of Directors has approved variances in certain viability ratios to meet behavioral health community needs. CPSA has informed ADHS of the reasons for the variances and ADHS has not informed CPSA of any required corrective action.

Other:

Should CPSA be in default of any material obligation under its contract with ADHS, ADHS may, at its discretion, in addition to other remedies, either adjust the amount of future payment or withhold future payment until satisfactory resolution of the default or exception. In addition, although it has expressed no intention to do so, ADHS has the right to terminate the contract in whole or in part without cause by giving CPSA 90 days written notice. Further, if monies are not appropriated by the state or are not otherwise available, the contract with ADHS may be canceled upon written notice until such monies are so appropriated or available.

Compliance with laws and regulations:

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse regulations. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management believes that CPSA is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

13. Functional expenses:

Program services	\$ 183,694,461
Administrative and operating	<u>15,335,876</u>
	<u>\$ 199,030,337</u>

14. Statement of cash flows:

Supplemental disclosure of cash flow information:

Interest expense and cash paid for interest was \$156,012 for 2005.

Independent Auditors' Report

Board of Directors
Community Partnership of Southern Arizona, Inc.
Tucson, Arizona

We have audited the accompanying consolidated statements of activities (as defined in the contract dated July 1, 2000, between Community Partnership of Southern Arizona, Inc. (CPSA) and the Arizona Department of Health Services - Division of Behavioral Health Services (the "ADHS-DBHS")) of the CPSA for the year ended June 30, 2005. These consolidated statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated statements of activities are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of activities. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statements of activities referred to above present fairly, in all material respects, the activities of Community Partnership of Southern Arizona, Inc. as of June 30, 2005, as defined in the contract referred to in the first paragraph.

This report is intended solely for the information and use of the boards of directors, management of Community Partnership of Southern Arizona, the State of Arizona and the ADHS-DBHS, and is not intended to be and should not be used by anyone other than these specified parties.

Beach, Fleischman + Co., P.C.

August 10, 2005

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES BY LINE OF BUSINESS - GSA 3 & 5
YEAR ENDED JUNE 30, 2005

	TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXIX ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASARR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
REVENUES																							
401 Revenue Under ADHS Contract																							
a. ADHS Revenue	\$ 31,729,431	\$ 26,336,721	\$ 1,428,547	\$ 3,322,019	\$ 2,177,997	\$ 535,546	\$ 56,117,813	\$ 2,030,300	\$ 22,463,730	\$ 353,325	\$ 131,269	\$ (127,748)	\$ 37,191,517	\$ 108,542	\$ 3,499,037	\$ 10,489,010	\$ 2,924,674	\$ 35,400	\$ 524,352	\$ 824,032	\$ 202,095,514	\$ 0	\$ 202,095,514
b. ADHS Revenue - Qualifying Incentive Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
402 Specialty & Other Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,667,260	1,667,260	0	1,667,260
403 Client Fees (Co-pays)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
404 Third Party Recoveries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
a. Medicare	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b. Other Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
405 Interest Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	477,752	477,752
406 Other Funding Sources - Non ADHS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
407 Unrelated Business Activities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,731,145	1,731,145
408 TOTAL REVENUE	\$ 31,729,431	\$ 26,336,721	\$ 1,428,547	\$ 3,322,019	\$ 2,177,997	\$ 535,546	\$ 56,117,813	\$ 2,030,300	\$ 22,463,730	\$ 353,325	\$ 131,269	\$ (127,748)	\$ 37,191,517	\$ 108,542	\$ 3,499,037	\$ 10,489,010	\$ 2,924,674	\$ 35,400	\$ 524,352	\$ 2,491,292	\$ 203,762,774	\$ 2,208,897	\$ 205,971,671
EXPENSES																							
Service Expenses:																							
501 Treatment Services																							
a Counseling																							
1 Counseling, Individual	3,162,163	3,461,069	29,535	420,204	310,742	0	1,879,340	10,115	964,245	0	4,478	0	2,433,385	0	67,330	608,125	0	0	0	0	13,350,731	0	13,350,731
2 Counseling, Family	3,424,807	3,748,508	43,012	320,616	357,422	0	88,855	546	27,176	0	652	0	174,412	0	4,433	21,624	0	0	0	0	8,212,063	0	8,212,063
3 Counseling, Group	335,616	340,350	2,525	63,044	21,228	0	751,538	3,963	305,138	0	582	0	1,467,599	0	39,915	835,486	0	0	0	0	4,166,984	0	4,166,984
b Consultation, Assessment & Specialized Testing	1,715,941	1,830,773	22,692	127,304	270,557	0	1,308,164	17,657	752,194	0	5,798	0	2,252,190	0	76,247	433,673	0	0	0	0	8,813,190	0	8,813,190
c Other Professional	8,318	5,761	0	0	0	0	43,788	0	23,777	0	0	0	116,729	0	2,496	11,234	0	0	0	0	212,103	0	212,103
d Total Treatment Services	8,646,845	9,386,461	97,764	931,168	959,949	0	4,071,685	32,281	2,072,530	0	11,510	0	6,444,315	0	190,421	1,910,142	0	0	0	0	34,755,071	0	34,755,071
502 Rehabilitation Services																							
a Living Skills Training	152,736	167,513	3,797	13,710	9,213	0	1,501,899	72,998	220,512	0	0	0	358,087	0	16,036	7,240	0	0	0	0	2,523,741	0	2,523,741
b Cognitive Rehabilitation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
c Health Promotion	3,397	2,635	69	434	55	0	122,816	1,701	71,952	0	7	0	69,344	0	1,028	11,906	0	0	0	0	285,344	0	285,344
d Supported Employment Services	0	0	0	0	0	0	733,780	1,068	122,606	0	0	0	14,611	0	39	603	0	0	0	0	872,707	0	872,707
e Total Rehabilitation Services	156,133	170,148	3,866	14,144	9,268	0	2,358,495	75,767	415,070	0	7	0	442,042	0	17,103	19,749	0	0	0	0	3,681,792	0	3,681,792
503 Medical Services																							
a Medication Services	107	127	0	0	0	0	163,273	0	31,944	0	0	0	701,132	0	0	494,873	0	0	0	0	1,391,456	0	1,391,456
b Medical Management	779,255	831,190	28,213	89,817	106,468	0	1,677,532	18,917	986,340	0	1,277	0	1,300,108	0	30,914	59,545	0	0	0	0	5,909,576	0	5,909,576
c Laboratory, Radiology & Medical Imaging	7,020	8,309	375	1,601	751	0	33,792	469	21,296	0	0	0	18,317	0	109	0	0	0	0	0	92,039	0	92,039
d Electro-Convulsive Therapy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
e Total Medical Services	786,382	839,626	28,588	91,418	107,219	0	1,874,597	19,386	1,039,580	0	1,277	0	2,019,557	0	31,023	554,418	0	0	0	0	7,393,071	0	7,393,071
504 Support Services																							
a Case Management	5,350,847	5,518,554	96,742	584,423	374,826	0	14,057,098	158,507	6,107,344	0	14,533	0	7,654,181	0	280,454	757,929	0	0	0	0	40,955,438	0	40,955,438
b Personal Assistance	41,381	48,866	4,007	2,618	25	0	2,499,146	62,567	452,879	0	0	0	161,216	0	2,871	899	0	0	0	0	3,276,475	0	3,276,475
c Family Support	157,705	168,389	2,487	10,688	8,670	0	25,970	1,020	6,074	0	396	0	14,597	0	178	501	0	0	0	0	396,675	0	396,675
d Peer Support	27,495	31,653	0	663	107	0	846,044	5,273	161,111	0	0	0	24,579	0	114	8,135	0	0	0	0	1,105,174	0	1,105,174
e Therapeutic Foster Care Services	347,571	411,386	0	0	0	0	22,856	0	11,080	0	0	0	0	0	0	0	0	0	0	0	792,893	0	792,893
f Respite Care	25,916	30,674	177	6,448	839	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	64,054	0	64,054
g Housing Support	23	28	0	0	0	0	8,938	0	3,467	0	0	0	179	0	0	73	0	0	0	0	12,708	0	12,708
h Interpreter Services	3,358	2,681	65	472	203	0	1,760	0	384	0	0	0	887	0	0	25	0	0	0	0	9,835	0	9,835
i Flex Fund Services	0	0	0	24,519	0	0	0	0	23,630	0	0	0	0	0	0	2,292	0	0	0	0	50,441	0	50,441
j Transportation	93,224	104,524	1,387	5,377	2,485	0	76,013	486	30,054	0	12	0	29,613	0	563	3,713	0	0	0	0	347,451	0	347,451
k Block Purchase NTXIX Consumer Drop In Center	0	0	0	0	0	0	575,309	55,593	280,567	1,605	1,068	0	484,033	1,500	0	96,244	0	0	0	0	1,495,919	0	1,495,919
l Total Support Services	6,047,520	6,316,755	104,865	635,208	387,155	0	18,113,134	283,446	7,076,590	1,605	16,009	0	8,369,285	1,500	284,180	869,811	0	0	0	0	48,507,063	0	48,507,063
505 Crisis Intervention Services																							
a Crisis Intervention - Mobile	403,375	62,827	4,368	159,609	49,294	0	159,825	0	108,291	7,418	992	0	403,868	7,418	399,071	139,207	0	0	0	0	1,905,563	0	1,905,563
b Crisis Services	975,166	244,981	17,031	536,920	217,921	0	266,457	0	295,552	34,306	4,589	0	739,180	34,306	1,845,703	561,919							

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES BY LINE OF BUSINESS - GSA 3 & 5
YEAR ENDED JUNE 30, 2005

	TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXIX ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASARR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
507 Residential Services																							
a Level II Behavioral Health Residential Facilities	1,961,003	2,160,807	21,783	154,188	0	0	5,403,568	44,909	1,209,699	0	0	0	3,297,301	0	14,365	2,297,378	0	0	0	0	16,565,001	0	16,565,001
b Level III Behavioral Health Residential Facilities	12,718	15,053	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	27,771	0	27,771
c Room and Board	254,537	299,541	4,551	24,909	0	0	591,963	1,899	99,017	0	0	0	779,020	0	391	627,083	0	0	0	0	2,682,911	0	2,682,911
d Total Residential Services	2,228,258	2,475,401	26,334	179,097	0	0	5,995,531	46,808	1,308,716	0	0	0	4,076,321	0	14,756	2,924,461	0	0	0	0	19,275,683	0	19,275,683
508 Behavioral Health Day Program																							
a Supervised Day Program	193,964	215,039	9,244	13,788	137	0	464,960	0	83,974	0	0	0	48,387	0	1,522	846	0	0	0	0	1,031,861	0	1,031,861
b Therapeutic Day Program	2,514,583	2,922,809	30,184	141,133	28,892	0	246,734	0	33,849	0	0	0	23,290	0	0	225	0	0	0	0	5,941,699	0	5,941,699
c Medical Day Program	0	0	0	0	0	0	180,354	0	122,870	0	0	0	0	0	0	0	0	0	0	0	303,224	0	303,224
d Total Behavioral Health Day Program	2,708,547	3,137,848	39,428	154,921	29,029	0	892,048	0	240,693	0	0	0	71,677	0	1,522	1,071	0	0	0	0	7,276,784	0	7,276,784
509 Prevention Services																							
a Prevention	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,518,787	0	0	0	2,518,787	0	2,518,787
b HIV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	347,084	0	0	0	0	347,084	0	347,084
c Total Prevention Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	347,084	2,518,787	0	0	0	2,865,871	0	2,865,871
510 Medication																							
a Medication Expense	3,382,608	730,423	580,038	56,409	283,763	0	11,837,510	1,660,337	5,556,641	0	79,533	0	5,841,805	0	241,965	49,648	0	0	0	0	30,300,680	0	30,300,680
b Less Pharmacy Rebate Received	(222,597)	(25,763)	(27,649)	(4,247)	(23,231)	0	(473,195)	(64,901)	(217,559)	0	(3,345)	0	(219,529)	0	(1,666)	(1,542)	0	0	0	0	(1,285,224)	0	(1,285,224)
c Pharmacy Rebate Related Expense	222,494	25,763	27,649	4,247	0	0	473,119	61,696	217,448	0	0	0	218,565	0	885	813	0	0	0	0	1,252,679	0	1,252,679
d Total Medication Services	3,382,505	730,423	580,038	56,409	260,532	0	11,837,434	1,657,132	5,556,530	0	76,188	0	5,840,841	0	241,184	48,919	0	0	0	0	30,268,135	0	30,268,135
511 Other ADHS Service Expenses Not Rpt'd Above	1,003,749	95,219	50,401	181,350	66,046	496,720	1,389,943	67,876	773,551	142	9,786	(119,564)	1,080,605	3,131	135,457	310,739	82,177	34,800	7,751	800,022	6,469,901	0	6,469,901
512 ADHS/DOC COOL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	447,534	0	447,534	0	447,534
513 Subtotal ADHS Service Expenses	28,091,002	23,888,058	1,041,456	3,012,859	2,157,514	496,720	49,879,292	2,417,728	21,236,752	49,871	127,395	(119,564)	33,285,021	65,687	3,409,839	9,215,297	2,600,964	34,800	455,285	800,022	182,145,998	0	182,145,998
520 Service Expenses from Non ADHS Sources	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,548,468	1,548,468	0	1,548,468
525 Total Service Expense	28,091,002	23,888,058	1,041,456	3,012,859	2,157,514	496,720	49,879,292	2,417,728	21,236,752	49,871	127,395	(119,564)	33,285,021	65,687	3,409,839	9,215,297	2,600,964	34,800	455,285	2,348,490	183,694,466	0	183,694,466
Administrative Expenses:																							
601 Salaries	854,156	712,250	35,278	90,769	55,378	12,434	1,570,040	85,900	652,651	1,260	3,296	0	1,072,443	1,714	108,090	318,859	166,939	1,048	26,359	0	5,768,864	0	5,768,864
602 Employee Benefits	238,080	198,527	9,833	25,300	15,436	3,466	437,619	23,943	181,915	351	919	0	298,923	478	30,128	88,876	46,531	292	7,347	0	1,607,964	0	1,607,964
603 Professional & Outside Services	261,275	217,888	10,792	27,765	16,939	3,804	480,256	26,276	199,638	385	1,008	0	328,047	524	33,063	97,535	51,065	321	8,063	0	1,764,624	0	1,764,624
604 Travel	75,711	63,132	3,127	8,045	4,909	1,103	139,165	7,614	57,850	112	292	0	95,059	152	9,581	28,263	14,797	93	2,337	0	511,342	0	511,342
605 Occupancy	202,080	168,507	8,347	21,474	13,102	2,941	371,448	20,323	154,408	298	780	0	253,724	406	25,572	75,438	39,495	248	6,236	0	1,364,827	0	1,364,827
606 Depreciation	95,010	79,224	3,924	10,097	6,160	1,384	174,639	9,555	72,596	140	367	0	119,290	191	12,023	35,468	18,569	117	2,932	0	641,686	0	641,686
607 All Other Operating	229,414	112,260	10,225	26,688	66,223	1,883	406,282	17,032	180,250	191	4,129	0	253,541	260	25,297	84,148	25,278	159	3,991	40,015	1,487,266	151,944	1,639,210
608 Subtotal ADHS Administrative Expenses	1,955,726	1,551,768	81,526	210,138	178,147	27,015	3,579,449	190,643	1,499,308	2,737	10,791	0	2,421,027	3,725	243,754	728,587	362,674	2,278	57,265	40,015	13,146,573	151,944	13,298,517
650 Non ADHS Administrative Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	395,585	395,585	0	395,585
651 Unrelated Admin. Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
652 Subtotal Administrative Expense	1,955,726	1,551,768	81,526	210,138	178,147	27,015	3,579,449	190,643	1,499,308	2,737	10,791	0	2,421,027	3,725	243,754	728,587	362,674	2,278	57,265	435,600	13,542,158	151,944	13,694,102
701 Unrelated Business Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,641,769	0	1,641,769
790 Income Tax Provisions																							
a ADHS Income Tax Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b Non ADHS Income Tax Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
799 Subtotal Income Tax Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
800 TOTAL EXPENSES	30,046,728	25,439,826	1,122,982	3,222,997	2,335,661	523,735	53,458,741	2,608,371	22,736,060	52,608	138,186	(119,564)	35,706,048	69,412	3,653,593	9,943,884	2,963,638	37,078	512,550	2,784,090	197,236,624	1,793,713	199,030,337
801 INCREASE/(DECREASE) IN NET ASSETS/EQUITY	\$ 1,682,703	\$ 896,895	\$ 305,565	\$ 99,022	\$ (157,664)	\$ 11,811	\$ 2,659,072	\$ (578,071)	\$ (272,330)	\$ 300,717	\$ (6,917)	\$ (8,184)	\$ 1,485,469	\$ 39,130	\$ (154,556)	\$ 545,126	\$ (38,964)	\$ (1,678)	\$ 11,802	\$ (292,798)	\$ 6,526,150	\$ 415,184	\$ 6,941,334

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES BY LINE OF BUSINESS - GSA 3
YEAR ENDED JUNE 30, 2005

	TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXIX ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASARR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/IGEN	TOTAL
REVENUES																							
401 Revenue Under ADHS Contract																							
a ADHS Revenue	\$ 6,566,720	\$ 2,895,245	\$ 213,324	\$ 746,503	\$ 293,250	\$ 81,574	\$ 11,825,945	\$ 266,111	\$ 3,417,286	\$ 13,745	\$ 23,809	\$0	\$ 6,142,952	\$ 7,802	\$ 21,701	\$ 1,897,221	\$ 646,670	\$0	\$ 57,960	\$0	\$ 35,117,818	\$0	\$ 35,117,818
b ADHS Revenue - Qualifying Incentive Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
402 Specialty & Other Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	129,084	129,084	0	129,084
403 Client Fees (Co-pays)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
404 Third Party Recoveries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
a Medicare	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b Other Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
405 Interest Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
406 Other Funding Sources - Non ADHS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
407 Unrelated Business Activities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
408 TOTAL REVENUE	\$ 6,566,720	\$ 2,895,245	\$ 213,324	\$ 746,503	\$ 293,250	\$ 81,574	\$ 11,825,945	\$ 266,111	\$ 3,417,286	\$ 13,745	\$ 23,809	\$0	\$ 6,142,952	\$ 7,802	\$ 21,701	\$ 1,897,221	\$ 646,670	\$0	\$ 57,960	\$ 129,084	\$ 35,246,902	\$0	\$ 35,246,902
EXPENSES																							
Service Expenses:																							
501 Treatment Services																							
a Counseling																							
1 Counseling, Individual	568,909	391,683	2,099	61,064	34,928	0	359,318	0	143,488	0	712	0	653,707	0	0	216,092	0	0	0	0	2,432,000	0	2,432,000
2 Counseling, Family	616,227	424,261	2,977	55,310	35,493	0	31,282	0	4,293	0	124	0	45,375	0	0	10,390	0	0	0	0	1,225,732	0	1,225,732
3 Counseling, Group	114,896	79,104	89	25,085	6,088	0	342,313	0	121,651	0	293	0	442,699	0	0	465,901	0	0	0	0	1,598,119	0	1,598,119
b Consultation, Assessment & Specialized Testing	404,390	278,415	3,700	45,517	23,845	0	182,798	0	60,576	0	892	0	367,834	0	0	175,089	0	0	0	0	1,543,056	0	1,543,056
c Other Professional	8,249	5,679	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,928	0	13,928
d Total Treatment Services	1,712,671	1,179,142	8,865	186,976	100,354	0	915,711	0	330,008	0	2,021	0	1,509,615	0	0	867,472	0	0	0	0	6,812,835	0	6,812,835
502 Rehabilitation Services																							
a Living Skills Training	26,794	18,447	213	2,986	552	0	172,955	0	95,832	0	0	0	19,539	0	0	6,742	0	0	0	0	344,060	0	344,060
b Cognitive Rehabilitation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
c Health Promotion	2,801	1,929	69	434	55	0	48,095	0	29,517	0	7	0	4,820	0	0	1,530	0	0	0	0	89,257	0	89,257
d Supported Employment Services	0	0	0	0	0	0	472,988	0	29,369	0	0	0	7,616	0	0	0	0	0	0	0	509,973	0	509,973
e Total Rehabilitation Services	29,595	20,376	282	3,420	607	0	694,038	0	154,718	0	7	0	31,975	0	0	8,272	0	0	0	0	943,290	0	943,290
503 Medical Services																							
a Medication Services	0	0	0	0	0	0	11,188	0	2,048	0	0	0	208	0	0	0	0	0	0	0	13,444	0	13,444
b Medical Management	184,074	126,732	5,342	18,051	16,748	0	32,393	0	85,814	0	0	0	219,533	0	0	28,438	0	0	0	0	717,125	0	717,125
c Laboratory, Radiology & Medical Imaging	0	0	0	0	0	0	639	0	700	0	0	0	10	0	0	0	0	0	0	0	1,349	0	1,349
d Electro-Convulsive Therapy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
e Total Medical Services	184,074	126,732	5,342	18,051	16,748	0	44,220	0	88,562	0	0	0	219,751	0	0	28,438	0	0	0	0	731,918	0	731,918
504 Support Services																							
a Case Management	1,696,356	1,193,083	29,839	217,349	86,988	0	3,243,265	0	1,177,518	0	576	0	1,067,727	0	0	379,237	0	0	0	0	9,091,938	0	9,091,938
b Personal Assistance	228	157	0	0	25	0	125,991	0	56,747	0	0	0	732	0	0	0	0	0	0	0	183,880	0	183,880
c Family Support	36,902	25,406	588	4,667	704	0	9,555	0	2,608	0	0	0	5,349	0	0	276	0	0	0	0	86,055	0	86,055
d Peer Support	1,796	1,236	0	44	107	0	97,641	0	50,708	0	0	0	5,531	0	0	7,566	0	0	0	0	164,629	0	164,629
e Therapeutic Foster Care Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
f Respite Care	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
g Housing Support	0	0	0	0	0	0	186	0	36	0	0	0	0	0	0	73	0	0	0	0	295	0	295
h Interpreter Services	2,613	1,799	65	472	203	0	1,760	0	384	0	0	0	708	0	0	25	0	0	0	0	8,029	0	8,029
i Flex Fund Services	0	0	0	18,147	0	0	0	0	3,237	0	0	0	0	0	0	2,292	0	0	0	0	23,676	0	23,676
j Transportation	11,748	8,088	62	774	54	0	25,938	0	14,590	0	0	0	6,326	0	0	3,414	0	0	0	0	70,994	0	70,994
k Block Purchase NTXIX Consumer Drop In Center	0	0	0	0	0	0	103,747	12,969	38,883	64	0	0	233,388	64	0	38,883	0	0	0	0	427,998	0	427,998
l Total Support Services	1,749,643	1,229,769	30,554	241,453	88,081	0	3,608,083	12,969	1,344,711	64	576	0	1,319,761	64	0	431,766	0	0	0	0	10,057,494	0	10,057,494
505 Crisis Intervention Services																							
a Crisis Intervention - Mobile	237,768	12,174	847	53,744	2,687	0	126,230	0	54,818	0	0	0	301,391	0	0	21,872	0	0	0	0	811,531	0	811,531
b Crisis Services	209,235	10,713	745	47,294	2,364	0	111,082	0	48,239	0	0	0	265,224	0	0	19,247	0	0	0	0	714,143	0	714,143
c Crisis Phones	28,532	1,461	102	6,449	322	0	15,148	0	6,578	0	0	0	36,167	0	0	2,625	0	0	0	0	97,384	0	97,384
d Total Crisis Intervention Services	475,535	24,348	1,694	107,487	5,373	0	252,460	0	109,635	0	0	0	602,782	0	0	43,744	0	0	0	0	1,623,058	0	1,623,058
506 Inpatient Services																							
a Hospital																							
1 Psychiatric (Provider Types 02 & 71)	244,843	70,623	35,105	0	0	0	0	0	4,800	0	0	0	26,892	0	0	0	0	0	0	0	382,263	0	382,263
2 Detoxification (Provider Types 02 & 71)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b Sub acute Facility																							
1 Psychiatric (Provider Types B5 & B6)	0	0	0	0	0	0	94,863	0	0	0	0	0	93,988	0	0	0	0	0	0	0	188,851	0	188,851
2 Detoxification (Provider Types B5 & B6)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	81,073	0	0	0	0	81,073	0	81,073
c Residential Treatment Center (RTC)																							
1 Psychiatric - Secure & Non-Secure Provider Types 78,B	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Detoxification - Secure & Non-Secure (Provider Types 7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
d Inpatient Services, Professional	0	0	0	0	0	0	110,457	0	0	0	538	0	25,485	0	0	9,714	0	0	0	0	146,194	0	146,194
e Total Inpatient Services	244,843	70,623	35,105	0	0	0	205,320	0	4,800	0	538	0	146,365	0	0	90,787	0	0	0	0	798,381	0	798,381

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES BY LINE OF BUSINESS - GSA 3
YEAR ENDED JUNE 30, 2005

	TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXIX ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASARR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
507 Residential Services																							
a Level II Behavioral Health Residential Facilities	288,221	180,895	2,931	0	0	0	2,036,387	0	181,973	0	0	0	86,216	0	0	18,805	0	0	0	0	2,795,428	0	2,795,428
b Level III Behavioral Health Residential Facilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
c Room and Board	3,112	1,953	1,023	0	0	0	390,328	0	67,304	0	0	0	117,636	0	0	4,215	0	0	0	0	585,571	0	585,571
d Total Residential Services	291,333	182,848	3,954	0	0	0	2,426,715	0	249,277	0	0	0	203,852	0	0	23,020	0	0	0	0	3,380,999	0	3,380,999
508 Behavioral Health Day Program																							
a Supervised Day Program	26,149	16,412	155	5,800	137	0	86,133	0	18,640	0	0	0	664	0	0	0	0	0	0	0	154,090	0	154,090
b Therapeutic Day Program	96,160	60,353	6,785	9,457	1,226	0	797	0	0	0	0	0	0	0	0	0	0	0	0	0	174,778	0	174,778
c Medical Day Program	0	0	0	0	0	0	180,354	0	122,870	0	0	0	0	0	0	0	0	0	0	0	303,224	0	303,224
d Total Behavioral Health Day Program	122,309	76,765	6,940	15,257	1,363	0	267,284	0	141,510	0	0	0	664	0	0	0	0	0	0	0	632,092	0	632,092
509 Prevention Services																							
a Prevention	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	546,118	0	0	0	546,118	0	546,118
b HIV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	45,505	0	0	0	0	45,505	0	45,505
c Total Prevention Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	45,505	546,118	0	0	0	591,623	0	591,623
510 Medication																							
a Medication Expense	574,488	74,199	85,351	38,461	37,794	0	1,783,081	203,801	686,030	0	18,693	0	1,451,797	0	20,070	28,816	0	0	0	0	5,002,581	0	5,002,581
b Less Pharmacy Rebate Received	(38,887)	(2,510)	(4,866)	(2,857)	0	0	(72,612)	(10,074)	(22,756)	0	0	0	(49,374)	0	(199)	(731)	0	0	0	0	(204,866)	0	(204,866)
c Pharmacy Rebate Related Expense	38,887	2,510	4,866	2,857	0	0	72,612	10,074	22,756	0	0	0	49,374	0	199	731	0	0	0	0	204,866	0	204,866
d Total Medication Services	574,488	74,199	85,351	38,461	37,794	0	1,783,081	203,801	686,030	0	18,693	0	1,451,797	0	20,070	28,816	0	0	0	0	5,002,581	0	5,002,581
511 Other ADHS Service Expenses Not Rpt'd Above	194,752	14,890	8,038	70,025	9,530	75,883	302,659	13,423	96,156	136	1,339	0	237,834	695	13,973	60,432	15,614	0	1,445	0	1,116,824	0	1,116,824
512 ADHS/DOC COOL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	53,916	0	53,916	0	53,916
513 Subtotal ADHS Service Expenses	5,579,243	2,999,692	186,125	681,130	259,850	75,883	10,499,571	230,193	3,205,407	200	23,174	0	5,724,396	759	34,043	1,628,252	561,732	0	55,361	0	31,745,011	0	31,745,011
520 Service Expenses from Non ADHS Sources																				123,208	123,208	0	123,208
525 Total Service Expense	5,579,243	2,999,692	186,125	681,130	259,850	75,883	10,499,571	230,193	3,205,407	200	23,174	0	5,724,396	759	34,043	1,628,252	561,732	0	55,361	123,208	31,868,219	0	31,868,219
Administrative Expenses:																							
601 Salaries	186,779	96,145	6,089	21,969	6,565	526	347,056	9,285	106,794	7	645	0	199,415	24	2,342	62,280	38,324	0	4,169	0	1,088,414	0	1,088,414
602 Employee Benefits	52,061	26,799	1,697	6,123	1,830	147	96,735	2,588	29,767	2	180	0	55,583	7	653	17,360	10,682	0	1,162	0	303,376	0	303,376
603 Professional & Outside Services	57,133	29,409	1,863	6,720	2,008	161	108,160	2,840	32,667	2	197	0	60,999	7	716	19,051	11,723	0	1,275	0	332,931	0	332,931
604 Travel	16,556	8,522	540	1,947	582	47	30,762	823	9,466	1	57	0	17,676	2	208	5,520	3,397	0	370	0	96,476	0	96,476
605 Occupancy	44,189	22,746	1,441	5,197	1,553	124	82,108	2,197	25,266	2	153	0	47,179	6	554	14,735	9,067	0	986	0	257,503	0	257,503
606 Depreciation	20,776	10,694	677	2,444	730	59	38,604	1,033	11,879	1	72	0	22,181	3	260	6,928	4,263	0	464	0	121,068	0	121,068
607 All Other Operating	53,574	16,126	1,699	8,872	7,487	80	101,116	2,393	42,227	1	584	0	51,455	4	525	22,844	5,803	0	631	0	315,421	0	315,421
608 Subtotal ADHS Administrative Expenses	431,068	210,441	14,006	53,272	20,755	1,144	802,541	21,159	258,066	16	1,888	0	454,488	53	5,258	148,718	83,259	0	9,057	0	2,515,189	0	2,515,189
650 Non ADHS Administrative Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	47,535	47,535	0	47,535
651 Unrelated Admin. Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
652 Subtotal Administrative Expense	431,068	210,441	14,006	53,272	20,755	1,144	802,541	21,159	258,066	16	1,888	0	454,488	53	5,258	148,718	83,259	0	9,057	47,535	2,562,724	0	2,562,724
701 Unrelated Business Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
790 Income Tax Provisions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
a ADHS Income Tax Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b Non ADHS Income Tax Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
799 Subtotal Income Tax Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
800 TOTAL EXPENSES	6,010,311	3,210,133	200,131	734,402	280,605	77,027	11,302,112	251,352	3,463,473	216	25,062	0	6,178,884	812	39,301	1,776,970	644,991	0	64,418	170,743	34,430,943	0	34,430,943
801 INCREASE/(DECREASE) IN NET ASSETS/EQUITY	\$ 556,409	\$ (314,888)	\$ 13,193	\$ 12,101	\$ 12,645	\$ 4,547	\$ 523,833	\$ 14,759	\$ (46,187)	\$ 13,529	\$ (1,253)	\$ 0	\$ (35,932)	\$ 6,990	\$ (17,600)	\$ 120,251	\$ 1,679	\$ 0	\$ (6,458)	\$ (41,659)	\$ 815,959	\$ 0	\$ 815,959

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES BY LINE OF BUSINESS - GSA 5
YEAR ENDED JUNE 30, 2005

		TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXIX ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASARR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
REVENUES																								
401	Revenue Under ADHS Contract																							
a	ADHS Revenue	\$ 25,162,711	\$ 23,441,476	\$ 1,215,223	\$ 2,575,516	\$ 1,884,747	\$ 453,972	\$ 44,291,868	\$ 1,764,189	\$ 19,046,444	\$ 339,580	\$ 107,460	\$ (127,748)	\$ 31,048,565	\$ 100,740	\$ 3,477,336	\$ 8,591,789	\$ 2,278,004	\$ 35,400	\$ 466,392	\$ 824,032	\$ 166,977,696	\$0	\$ 166,977,696
b	ADHS Revenue - Qualifying Incentive Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
402	Specialty & Other Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,538,176	1,538,176	0	1,538,176
403	Client Fees (Co-pays)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
404	Third Party Recoveries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
a	Medicare	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b	Other Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
405	Interest Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	477,752	477,752
406	Other Funding Sources - Non ADHS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
407	Unrelated Business Activities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,731,145	1,731,145
408	TOTAL REVENUE	\$ 25,162,711	\$ 23,441,476	\$ 1,215,223	\$ 2,575,516	\$ 1,884,747	\$ 453,972	\$ 44,291,868	\$ 1,764,189	\$ 19,046,444	\$ 339,580	\$ 107,460	\$ (127,748)	\$ 31,048,565	\$ 100,740	\$ 3,477,336	\$ 8,591,789	\$ 2,278,004	\$ 35,400	\$ 466,392	\$ 2,362,208	\$ 168,515,872	\$ 2,208,897	\$ 170,724,769
EXPENSES																								
Service Expenses:																								
501	Treatment Services																							
a	Counseling																							
1	Counseling, Individual	2,593,254	3,069,386	27,436	359,140	275,814	0	1,520,022	10,115	820,757	0	3,766	0	1,779,678	0	67,330	392,033	0	0	0	0	10,918,731	0	10,918,731
2	Counseling, Family	2,808,580	3,324,247	40,035	265,306	321,929	0	57,573	546	22,883	0	528	0	129,037	0	4,433	11,234	0	0	0	0	6,986,331	0	6,986,331
3	Counseling, Group	220,720	261,246	2,436	37,959	15,140	0	409,225	3,963	183,487	0	289	0	1,024,900	0	39,915	369,585	0	0	0	0	2,568,865	0	2,568,865
b	Consultation, Assessment & Specialized Testing	1,311,551	1,552,358	18,992	81,787	246,712	0	1,125,366	17,657	691,618	0	4,906	0	1,884,356	0	76,247	258,584	0	0	0	0	7,270,134	0	7,270,134
c	Other Professional	69	82	0	0	0	0	43,788	0	23,777	0	0	0	116,729	0	2,496	11,234	0	0	0	0	198,175	0	198,175
d	Total Treatment Services	6,934,174	8,207,319	88,899	744,192	859,595	0	3,155,974	32,281	1,742,522	0	9,489	0	4,934,700	0	190,421	1,042,670	0	0	0	0	27,942,236	0	27,942,236
502	Rehabilitation Services																							
a	Living Skills Training	125,942	149,066	3,584	10,724	8,661	0	1,328,944	72,998	124,680	0	0	0	338,548	0	16,036	498	0	0	0	0	2,179,681	0	2,179,681
b	Cognitive Rehabilitation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
c	Health Promotion	596	706	0	0	0	0	74,721	1,701	42,435	0	0	0	64,524	0	1,028	10,376	0	0	0	0	196,087	0	196,087
d	Supported Employment Services	0	0	0	0	0	0	260,792	1,068	93,237	0	0	0	6,995	0	39	603	0	0	0	0	362,734	0	362,734
e	Total Rehabilitation Services	126,538	149,772	3,584	10,724	8,661	0	1,664,457	75,767	260,352	0	0	0	410,067	0	17,103	11,477	0	0	0	0	2,738,502	0	2,738,502
503	Medical Services																							
a	Medication Services	107	127	0	0	0	0	152,085	0	29,896	0	0	0	700,924	0	0	494,873	0	0	0	0	1,378,012	0	1,378,012
b	Medical Management	595,181	704,458	22,871	71,766	89,720	0	1,645,139	18,917	900,526	0	1,277	0	1,080,575	0	30,914	31,107	0	0	0	0	5,192,451	0	5,192,451
c	Laboratory, Radiology & Medical Imaging	7,020	8,309	375	1,601	751	0	33,153	469	20,596	0	0	0	18,307	0	109	0	0	0	0	0	90,690	0	90,690
d	Electro-Convulsive Therapy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
e	Total Medical Services	602,308	712,894	23,246	73,367	90,471	0	1,830,377	19,386	951,018	0	1,277	0	1,799,806	0	31,023	525,980	0	0	0	0	6,661,153	0	6,661,153
504	Support Services																							
a	Case Management	3,654,491	4,325,471	66,903	367,074	287,838	0	10,813,833	158,507	4,929,826	0	13,957	0	6,586,454	0	280,454	378,692	0	0	0	0	31,863,500	0	31,863,500
b	Personal Assistance	41,153	48,709	4,007	2,618	0	0	2,373,155	62,567	396,132	0	0	0	160,484	0	2,871	899	0	0	0	0	3,092,595	0	3,092,595
c	Family Support	120,803	142,983	1,899	6,021	7,966	0	16,415	1,020	3,466	0	396	0	9,248	0	178	225	0	0	0	0	310,620	0	310,620
d	Peer Support	25,699	30,417	0	619	0	0	748,403	5,273	110,403	0	0	0	19,048	0	114	569	0	0	0	0	940,545	0	940,545
e	Therapeutic Foster Care Services	347,571	411,386	0	0	0	0	22,856	0	11,080	0	0	0	0	0	0	0	0	0	0	0	792,893	0	792,893
f	Respite Care	25,916	30,674	177	6,448	839	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	64,054	0	64,054
g	Housing Support	23	28	0	0	0	0	8,752	0	3,431	0	0	0	179	0	0	0	0	0	0	0	12,413	0	12,413
h	Interpreter Services	745	882	0	0	0	0	0	0	0	0	0	0	179	0	0	0	0	0	0	0	1,806	0	1,806
i	Flex Fund Services	0	0	0	6,372	0	0	0	0	20,393	0	0	0	0	0	0	0	0	0	0	0	26,765	0	26,765
j	Transportation	81,476	96,436	1,325	4,603	2,431	0	50,075	486	15,464	0	12	0	23,287	0	563	299	0	0	0	0	276,457	0	276,457
k	Block Purchase NTXIX Consumer Drop In Center	0	0	0	0	0	0	471,562	42,624	241,684	1,541	1,068	0	250,645	1,436	0	57,361	0	0	0	0	1,067,921	0	1,067,921
l	Total Support Services	4,297,877	5,086,986	74,311	393,755	299,074	0	14,505,051	270,477	5,731,879	1,541	15,433	0	7,049,524	1,436	284,180	438,045	0	0	0	0	38,449,569	0	38,449,569
505	Crisis Intervention Services																							
a	Crisis Intervention - Mobile	165,607	50,653	3,521	105,865	46,607	0	33,595	0	53,473	7,418	992	0	102,477	7,418	399,071	117,335	0						

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES BY LINE OF BUSINESS - GSA 5
YEAR ENDED JUNE 30, 2005

		TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXIX ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASARR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
507	Residential Services																							
a	Level II Behavioral Health Residential Facilities	1,672,782	1,979,912	18,852	154,188	0		3,367,181	44,909	1,027,726	0	0	0	3,211,085	0	14,365	2,278,573	0	0	0	0	13,769,573	0	13,769,573
b	Level III Behavioral Health Residential Facilities	12,718	15,053	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	27,771	0	27,771
c	Room and Board	251,425	297,588	3,528	24,909	0		201,635	1,899	31,713	0	0	0	661,384	0	391	622,868	0	0	0	0	2,097,340	0	2,097,340
d	Total Residential Services	1,936,925	2,292,553	22,380	179,097	0	0	3,568,816	46,808	1,059,439	0	0	0	3,872,469	0	14,756	2,901,441	0	0	0	0	15,894,684	0	15,894,684
508	Behavioral Health Day Program																							
a	Supervised Day Program	167,815	198,627	9,089	7,988	0		378,827	0	65,334	0	0	0	47,723	0	1,522	846	0	0	0	0	877,771	0	877,771
b	Therapeutic Day Program	2,418,423	2,862,456	23,399	131,676	27,666		245,937	0	33,849	0	0	0	23,290	0	0	225	0	0	0	0	5,766,921	0	5,766,921
c	Medical Day Program	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
d	Total Behavioral Health Day Program	2,586,238	3,061,083	32,488	139,664	27,666	0	624,764	0	99,183	0	0	0	71,013	0	1,522	1,071	0	0	0	0	6,644,692	0	6,644,692
509	Prevention Services																							
a	Prevention	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,972,669	0	0	0	1,972,669	0	1,972,669
b	HIV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	301,579	0	0	0	0	301,579	0	301,579
c	Total Prevention Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	301,579	1,972,669	0	0	0	2,274,248	0	2,274,248
510	Medication																							
a	Medication Expense	2,808,120	656,224	494,687	17,948	245,969	0	10,054,429	1,456,536	4,870,611	0	60,840	0	4,390,008	0	221,895	20,832	0	0	0	0	25,298,099	0	25,298,099
b	Less Pharmacy Rebate Received	(183,710)	(23,253)	(22,783)	(1,390)	(23,231)	0	(400,583)	(54,827)	(194,803)	0	(3,345)	0	(170,155)	0	(1,467)	(811)	0	0	0	0	(1,080,358)	0	(1,080,358)
c	Pharmacy Rebate Related Expense	183,607	23,253	22,783	1,390	0	0	400,507	51,622	194,692	0	0	0	169,191	0	686	82	0	0	0	0	1,047,813	0	1,047,813
d	Total Medication Services	2,808,017	656,224	494,687	17,948	222,738	0	10,054,353	1,453,331	4,870,500	0	57,495	0	4,389,044	0	221,114	20,103	0	0	0	0	25,265,554	0	25,265,554
511	Other ADHS Service Expenses Not Rpt'd Above	808,997	80,329	42,363	111,325	56,516	420,837	1,087,284	54,453	677,395	6	8,447	(119,564)	842,771	2,436	121,484	250,307	66,563	34,800	6,306	800,022	5,353,077	0	5,353,077
512	ADHS/DOC COOL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	393,618	0	393,618	0	393,618
513	Subtotal ADHS Service Expenses	22,511,759	20,888,366	855,331	2,331,729	1,897,664	420,837	39,379,721	2,187,535	18,031,345	49,671	104,221	(119,564)	27,560,625	64,928	3,375,796	7,587,045	2,039,232	34,800	399,924	800,022	150,400,987	0	150,400,987
520	Service Expenses from Non ADHS Sources	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,425,260	1,425,260	0	1,425,260
525	Total Service Expense	22,511,759	20,888,366	855,331	2,331,729	1,897,664	420,837	39,379,721	2,187,535	18,031,345	49,671	104,221	(119,564)	27,560,625	64,928	3,375,796	7,587,045	2,039,232	34,800	399,924	2,225,282	151,826,247	0	151,826,247
Administrative Expenses:																								
601	Salaries	667,377	616,105	29,189	68,800	48,813	11,908	1,222,984	76,615	545,857	1,253	2,651	0	873,028	1,690	105,748	256,579	128,615	1,048	22,190	0	4,680,450	0	4,680,450
602	Employee Benefits	186,019	171,728	8,136	19,177	13,606	3,319	340,884	21,355	152,148	349	739	0	243,340	471	29,475	71,516	35,849	292	6,185	0	1,304,588	0	1,304,588
603	Professional & Outside Services	204,142	188,459	8,929	21,045	14,931	3,643	374,096	23,436	166,971	383	811	0	267,048	517	32,347	78,484	39,342	321	6,788	0	1,431,693	0	1,431,693
604	Travel	59,155	54,610	2,587	6,098	4,327	1,056	108,403	6,791	48,384	111	235	0	77,383	150	9,373	22,743	11,400	93	1,967	0	414,866	0	414,866
605	Occupancy	157,891	145,761	6,906	16,277	11,549	2,817	289,340	18,126	129,142	296	627	0	206,545	400	25,018	60,703	30,428	248	5,250	0	1,107,324	0	1,107,324
606	Depreciation	74,234	68,530	3,247	7,653	5,430	1,325	136,035	8,522	60,717	139	295	0	97,109	188	11,763	28,540	14,306	117	2,468	0	520,618	0	520,618
607	All Other Operating	175,840	96,134	8,526	17,816	58,736	1,803	305,166	14,639	138,023	190	3,545	0	202,086	256	24,772	61,304	19,475	159	3,360	40,015	1,171,845	151,944	1,323,789
608	Subtotal ADHS Administrative Expenses	1,524,658	1,341,327	67,520	156,866	157,392	25,871	2,776,908	169,484	1,241,242	2,721	8,903	0	1,966,539	3,672	238,496	579,869	279,415	2,278	48,208	40,015	10,631,384	151,944	10,783,328
650	Non ADHS Administrative Expenses																				348,050	348,050	0	348,050
651	Unrelated Admin. Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
652	Subtotal Administrative Expense	1,524,658	1,341,327	67,520	156,866	157,392	25,871	2,776,908	169,484	1,241,242	2,721	8,903	0	1,966,539	3,672	238,496	579,869	279,415	2,278	48,208	388,065	10,979,434	151,944	11,131,378
701	Unrelated Business Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,641,769	1,641,769
790	Income Tax Provisions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
a	ADHS Income Tax Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b	Non ADHS Income Tax Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
799	Subtotal Income Tax Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
800	TOTAL EXPENSES	24,036,417	22,229,693	922,851	2,488,595	2,055,056	446,708	42,156,629	2,357,019	19,272,587	52,392	113,124	(119,564)	29,527,164	68,600	3,614,292	8,166,914	2,318,647	37,078	448,132	2,613,347	162,805,681	1,793,713	164,599,394
801	INCREASE/(DECREASE) IN NET ASSETS/EQUITY	\$ 1,126,294	\$ 1,211,783	\$ 292,372	\$ 86,921	\$ (170,309)	\$ 7,264	\$ 2,135,239	\$ (592,830)	\$ (226,143)	\$ 287,188	\$ (5,664)	\$ (8,184)	\$ 1,521,401	\$ 32,140	\$ (136,956)	\$ 424,875	\$ (40,643)	\$ (1,678)	\$ 18,260	\$ (251,139)	\$ 5,710,191	\$ 415,184	\$ 6,125,375

**COMMUNITY PARTNERSHIP OF
SOUTHERN ARIZONA, INC.**

OMB CIRCULAR A-133 REPORTS

YEAR ENDED JUNE 30, 2005

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

OMB CIRCULAR A-133 REPORTS

YEAR ENDED JUNE 30, 2005

CONTENTS

	Page
Independent Auditors' Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	2-3
Schedule of Expenditures of Federal Awards	4
Notes to Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	6-9
Summary Schedule of Prior Audit Findings	10



Bruce D. Beach, CPA
Peter F. Beahan, CPA, ABV
Richard A. Bratt, CPA
David J. Cohen, CPA
Jo DeChatelet, CPA, CFP®
Kevin J. Donovan, CPA, EA, MSPA
Marc D. Fleischman, CPA, ABV

Robert G. Harbour, CPA, CVA
George Henderson, CPA
David M. Iaconis, CPA
Karen K. McCloskey, CPA, MST
Loretta Peto, CPA, ABV
Cynthia A. Schroeder, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Community Partnership of Southern Arizona, Inc.
Tucson, Arizona

We have audited the consolidated financial statements of Community Partnership of Southern Arizona, Inc. (CPSA) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 10, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether CPSA's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect CPSA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the consolidated financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in accounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the Board of Directors, CPSA management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Beach, Fleischman & Co., P.C.

August 10, 2005



BEACH, FLEISCHMAN & CO., P.C.
Certified Public Accountants/Financial & Business Advisors

Bruce D. Beach, CPA
Peter F. Beahan, CPA, ABV
Richard A. Bratt, CPA
David J. Cohen, CPA
Jo DeChatelet, CPA, CFP®
Kevin J. Donovan, CPA, EA, MSPA
Marc D. Fleischman, CPA, ABV

Robert G. Harbour, CPA, CVA
George Henderson, CPA
David M. Iaconis, CPA
Karen K. McCloskey, CPA, MST
Loretta Peto, CPA, ABV
Cynthia A. Schroeder, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Community Partnership of Southern Arizona, Inc.
Tucson, Arizona

Compliance

We have audited the compliance of Community Partnership of Southern Arizona, Inc. (CPSA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. CPSA's major Federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of CPSA's management. Our responsibility is to express an opinion on CPSA's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major Federal program occurred. An audit includes examining, on a test basis, evidence about CPSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CPSA's compliance with those requirements.

As described in item 05-3 in the accompanying schedule of findings and questioned costs, CPSA did not comply with requirements regarding special reporting that are applicable to its Centers for Medicare and Medicaid Services Program. Compliance with such requirements is necessary, in our opinion, for CPSA to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, CPSA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of CPSA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered CPSA's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect CPSA's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 05-2 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the basic consolidated financial statements of CPSA as of and for the year ended June 30, 2005, and have issued our report thereon dated August 10, 2005. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

This report is intended for the information of the Board of Directors, CPSA management, and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Beach, Fleischer + Co., P.C.

August 10, 2005

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2005

Federal Grant/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through the Arizona Department of Health Services:			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	032033	\$ 723,931
Projects for Assistance in Transition from Homelessness (PATH)	93.150	032033	271,825
Substance Abuse and Mental Health Services	93.243	032033	7,214
State Children's Insurance Program	93.767	032033	2,159,412
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	032033	105,082,764
Block Grants for Community Mental Health Services	93.958	032033	1,225,361
Block Grants for Prevention and Treatment of Substance Abuse	93.959	032033	8,274,356
Passed through the Department of Economic Security:			
Temporary Assistance for Needy Families	93.558	AZ99043-10-0376	605,010
Total U.S. Department of Health and Human Services			<u>118,349,873</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the City of Tucson:			
Supportive Housing Program	14.235	300	29,286
Passed through Arizona Department of Housing:			
Supportive Housing Program	14.235	AZ01B200006	129,084
Shelter Plus Care	14.238	AZ01C201010	826,016
Total U.S. Department of Housing and Urban Development			<u>984,386</u>
Total Expenditures of Federal Awards			<u>\$ 119,334,259</u>

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2005

1. Basis of presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Partnership of Southern Arizona, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Catalog of Federal Domestic Assistance (CFDA) Numbers:

The program titles and CFDA numbers or federal identification numbers were obtained from the federal or pass-through grantor or the update to the 2005 *Catalog of Federal Domestic Assistance*. If no CFDA had been assigned to a program, the contract number was used.

3. Subrecipients:

Of the federal expenditures presented in the schedule, the Organization provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Supportive Housing Program	14.235	\$ 92,012
Shelter Plus Care	14.238	620,332
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	484,437
Projects for Assistance in Transition from Homelessness (PATH)	93.150	271,825
Temporary Assistance for Needy Families	93.558	399,357
State Children's Insurance Program	93.767	689,472
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	92,520,654
Block Grants for Community Mental Health Services	93.958	1,255,449
Block Grants for Prevention and Treatment of Substance Abuse	93.959	6,784,255

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2005

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expressed an unqualified opinion on the consolidated financial statements of CPSA.
2. One reportable condition disclosed during the audit of the consolidated financial statements is reported in the Independent Auditors' Report on Compliance and Internal Control Over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This reportable condition is not considered to be a material weakness.
3. No instances of noncompliance material to the consolidated financial statements of CPSA, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed in the audit.
4. One reportable condition in internal control over major federal award programs disclosed during the audit of the major federal awards programs is reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. This condition is reported as a material weakness.
5. The auditors' report on compliance for the major federal award programs for CPSA expresses a qualified opinion on its major programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The program tested as a major program is as follows:

U.S. Department of Health and Human Services:	
Centers for Medicare and Medicaid Services (CMS)	93.779
Research, Demonstrations and Evaluations	
8. The threshold for distinguishing Type A and Type B programs was \$3,058,003.
9. CPSA does not qualify as a low-risk auditee.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

FINDINGS – FINANCIAL STATEMENT AUDIT

05-1 - Claims and behavioral healthcare service payable:

Criteria:

Internal controls should be in place to provide reasonable assurance that claims lag data is captured timely in order to adequately estimate claims liabilities.

Condition:

Effective February 2004, CPSA began processing claims in-house on a new claims reporting system for services effective July 2003 and was unable to process claims and provide this lag information. In April 2005, CPSA replaced their claims reporting system and have been able to process claims on the new system.

Effect:

CPSA did not have lag information to estimate their claims liabilities and had to use historical and provider data.

Recommendation:

We recommend CPSA complete their system modifications and complete their processing of claims for the remainder of the years ended June 30, 2004 and 2005.

Auditee response:

CPSA management made a decision in October 2004 to discontinue the use of the Info MC/Ecura claims processing system due to its inability to comply and meet the ADHS/DBHS CIS data submission standards and requirements.

The Ecura system was replaced with the Health Trio Xpress system in April 2005. The migration and conversion of historical data and membership as of July 1, 2003 to the Xpress system was conducted during the first calendar quarter of 2005 and was completed in April 2005. CPSA was certified by ADHS/DBHS on May 9, 2005 to begin submitting claims/encounter production 837 files to CIS.

In accordance with correspondence received from ADHS/DBHS dated July 28, 2005 and August 23, 2005, CPSA has implemented an Encounter Submission Timeline Gant Chart approved by ADHS/DBHS that monitors and reports to ADHS/DBHS on weekly basis CPSA's progress on the submission of the backlog and claims/encounters to CIS for FY 2004 and FY 2005.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2005

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

Questioned
Costs

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

- 05-2: Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations - CFDA No. 93.779, Grant Number 032033; Grant period - Year ended June 30, 2005

Reportable condition:

As discussed in Finding 05-1, internal controls should be in place to provide reasonable assurance that claims lag data is captured timely in order to adequately estimate claims liabilities. Effective February 2004, CPSA began processing claims in-house on a new claims reporting system for services effective July 2003 and was unable to process claims and provide this lag information. In April 2005, CPSA replaced their claims reporting system and have been able to process claims on the new system.

N/A

- 05-3: Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations - CFDA No. 93.779, Grant Number 032033; Grant period - Year ended June 30, 2005

Criteria:

In accordance with the Financial Reporting Guide for Regional Behavioral Health Authorities, accurate and timely encounter data shall be submitted to assist DBHS in evaluating each RBHA's performance and establishing capitation rates.

Condition:

CPSA was unable to process and adjudicate claims for the third and fourth quarters of the year ended June 30, 2005.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2005

Questioned
Costs

05-3 (continued):

Effect:

On a quarterly basis, DBHS shall retroactively calculate the contract year-to-date value of encounters (based on dates of service) submitted by each RHBA. For each quarter that the RHBA encounter value does not equal or exceed the minimum valuation percentage standards, DBHS may sanction CPSA and withhold payments.

Unknown

Cause:

Effective February, 2004, CPSA began processing claims in-house on a new claims reporting system. Certain application modifications over the new data processing environment have been necessary to process actual historical claims for verification and adjudication. This system documentation has been behind schedule and consequently has limited CPSA's ability to process claims data throughout the year.

Recommendation:

We recommend CPSA complete their system modifications and complete their processing of claims for the remainder of the year ended June 30, 2005.

Auditee Response:

The Auditee's response at finding 05-1 also applies to this finding.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2005

FINDING 04-2:

Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations

Condition: This finding was a reportable condition stating that internal controls should be in place to provide reasonable assurance that claims lag data is captured timely in order to adequately estimate claims liabilities.

Recommendation: The auditor recommended CPSA complete their system modifications and complete their processing of claims for the remainder of the year ended June 30, 2004.

Current status: The discussion for Finding 05-2 also applies to this finding.

FINDING 04-3:

Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations

Condition: This was a compliance finding stating in accordance with the Financial Reporting Guide for Regional Behavioral health Authorities, accurate and timely encounter data shall be submitted to assist ADHS in evaluating each RBHA's performance and establishing capitation rates.

Recommendation: The auditor recommended CPSA complete their system modifications and complete their processing of claims for the remainder of the year ended June 30, 2004.

Current Status: The discussion for Finding 05-3 also applies to this finding.